

LAW OFFICES OF DONALD H. HOWE, LLC

Attorneys at Law

February 13, 2019

BY E FILING

Honorable Jocelyn Boyd
Chief Clerk/Administrator
The Public Service Commission
State of South Carolina
101 Executive Center Drive
Suite 100
Columbia, SC 29210-8411

RE: Docket No. 2018-257-WS
Application of Kiawah Island Utility, Inc. for Adjustment of Rates and Charges
and Modifications to Certain Terms and Conditions for the Provision of Water
and Sewer Service

Dear Ms. Boyd:

Please find enclosed for filing the pre-filed direct testimony of the following witnesses on behalf of the St. John's Fire Commission in the above matter along with a certificate of service:

1. Chief Colleen Walz
2. Commissioner Debra Lehman
3. Commissioner William Thomae
4. Assistant Chief Gavin Gilcrease

Please let me know if you need any further information.

With kindest regards, I am

Sincerely,



Donald H. Howe

DHH/ghb

Enclosure

cc: Jeffrey M. Nelson, Esquire
Alexander W. Knowles, Esquire
Dwayne Green, Esquire
Carri Grube-Lybarker, Esquire
Becky Dover, Esquire
Scott Elliott, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-257-WS

Application of Kiawah Island Utility, Inc.
for Adjustment of Rates and Charges and
Modifications to Certain Terms and
Conditions for the Provision of Water and
Sewer Service

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 13 day of February 2019, I
served a copy of Pre-Filed Direct Testimony of Witnesses in the above matter by placing a copy
of same in the United States mail and electronic mail addressed to the following:

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s/Donald H. Howe
Donald H. Howe, Esquire
Attorney for Colleen Walz, Chief
St. John's Fire District

Dated: February 13, 2019

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2018-257-WS

IN RE: Application of Kiawah Island Utility, Inc. for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service)))))	DIRECT TESTIMONY OF CHIEF COLLEEN WALZ
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My name is Colleen Walz and I am the Fire Chief for the St. John's Fire District, a Special Purpose District created by South Carolina statute. St. John's provides fire service to John's Island, Kiawah Island, Wadmalaw Island and Seabrook Island. I became Chief in July, 2013.

I have read the written testimony of Becky Dennis and reviewed Exhibit BD-10 which was attached. I have concerns about two of the itemizations of cost outlined therein.

First is item #1, "Trimming and weeding around the hydrant." As Chief of the St. John's Fire District, I am aware that a) there are hydrants that my employees clear shrubbery around on many occasions throughout the year, particularly in connection with our bi-annual testing of the hydrants and b) a large number, if not the majority of the hydrants, are regularly trimmed and weeded by one of 3 entities that all work together to keep Kiawah Island in the pristine condition for which it is famous. Those entities are 1) private landowners, 2) Town of Kiawah employees and 3) Kiawah Island Community Association (KICA) employees. I have witnessed all three of these groups performing maintenance of areas that include places where hydrants are located.

Secondly, item #5 "Labor to flush areas to clear water after SJFD training." We do not perform "training" that involves the hydrants. We do perform testing in April and October of every year but that is done by members of my department and no follow-up is needed by KIU. Additionally, every 5 years (on a rotational basis as outlined in the testimony of Assistant Chief Gilcrease) we do a more thorough testing of every hydrant as recommended by the National Fire Protection Association. This testing consists of both Static and Residual testing for each hydrant. The results of our testing are available to Ms. Dennis for the appropriate consideration of KIU.

In Exhibit BD-10, Ms. Dennis assumes that each and every hydrant gets the specific services outlined in items #1 and #5. As outlined above, I do not believe that assumption is correct. I would point out that these 2 items account for \$48.82 of the \$110.02 cost per hydrant that KIU seeks reimbursement for. This means over 40% of the basis of their submission is not a "firm" number.

Another factor worth your consideration is that the hydrants are not used exclusively by St. John's. There are times when contractors use them and also times when they are hooked up to "street sweeper" machinery that is used to keep the areas clean.

Lastly, and perhaps most importantly, a significant part of the St. John's Fire District is made up of the residents of Wadmalaw Island who have no water at all. When a per hydrant fee is used, the Wadmalaw residents end up indirectly subsidizing the maintenance of Kiawah's hydrants which does not seem fair. Making the hydrant maintenance costs part of the base rate charge will insure that those who receive the benefit will be those that pay the cost.

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My name is Debra Lehman. I am a Commissioner with the St. John's Fire District. I have a Bachelor's Degree with a Major in Accounting and an MBA both from the Pennsylvania State University. Some of my work experience is a Director of a large Finance Shared Services Center that provided services for the organization in all 50 states. I also was an internal Consultant for a large organization in the Strategic Operations organization. I worked for this large organization for 30 years. I am presently Vice Chairman and head of the Finance Committee. As part of my duties, I have researched the history of the practice of paying a "per hydrant rental fee" with the local water utilities. My research has led me to conclude that this system is outdated, inequitable and not transparent.

As a result of my research, the St. John's Fire Commission voted unanimously to challenge the reasonableness and fairness of the hydrant rental fees on June 11, 2018. The present rate is \$134.79 per hydrant per year. There are approximately 494 hydrants involved for a total of approximately \$66,586.26.

The St. John's Fire District is a Special Purpose District created by the South Carolina Legislature in 1959 to provide fire protection to Johns Island, Wadmalaw Island, Kiawah Island,

and Seabrook Island. At the time of the creation of the District, the 4 sea islands were very rural areas, indeed both Kiawah and Seabrook were essentially undeveloped. Since 1959, the District has experienced dramatic growth, particularly on Kiawah and Seabrook Islands. Also, some portions of Johns Island have been annexed by the City of Charleston. A map of the District is attached for your reference.

Approximately 40 years ago, the District began the practice of paying “rent” for hydrants based on a flat fee for each hydrant. This “rent” was to cover water usage and infrastructure costs. Although no signed contracts can be found, it appears from meeting minutes in 1979 that the original intent was for the flat fee “rent” to extend for a period of 20 years. Kiawah Island had no water service at that time, but the same procedure was followed when Kiawah later began providing water service and hydrants. The original rate was \$75.00 per hydrant. Over time, a number of changes have taken place which have rendered the original arrangement obsolete.

These changes include:

1. The 20 years has expired.
2. Infrastructure costs are now reimbursed by developers.
3. The number of hydrants has increased dramatically.
4. Kiawah has developed into an upscale community and is now incorporated as a town.
5. The water supply for Kiawah is now a private concern for profit.

Kiawah Island Utility, Inc. distributes water that originates with the Commissioners of Public Works for the City of Charleston, Charleston Water System. The District has since evaluated its water usage for 2017 and estimates it used less than \$7,000.00 of water that year. The District believes there is no rational relationship between the amount charged and the

services rendered. Also, because the St. John's Fire District is funded by residents from 3 islands not part of the Town of Kiawah, there is the appearance that they are being "taxed" to pay for Kiawah's water. It is of note that Wadmalaw Island has no fire hydrants or water service. The District therefore asserts that the present system and rate is not just unreasonable as to amount, but is also unfair because it charges customers not in its service area.

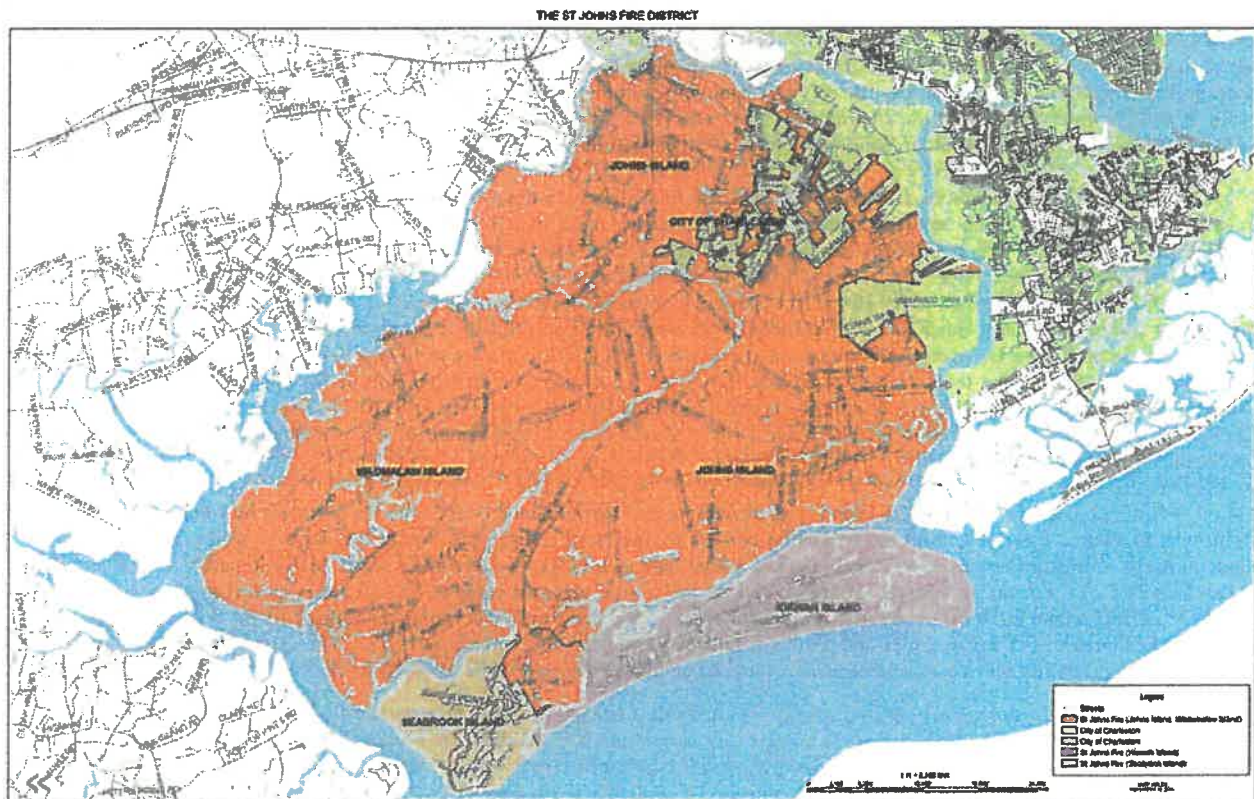
After filing our original complaint, we met with Becky Dennis who provided us with the document which is Exhibit BD-10. After reviewing Ms. Dennis's proposed justification for a rent fee of \$110.02 per hydrant, we have serious questions about the assumptions she made to justify that figure. Our challenges to her assumptions are set out in the written testimony of Chief Colleen Walz and Assistant Chief Gavin Gilcrease.

With these things in mind, the district believes the fairest practice would be for the present system to be eliminated and for future billing to be assessed through the water base rate directly to the customers on Kiawah Island. Direct billing to the Kiawah Island customers would provide a transparent method to report total costs per customer. Current estimates are an increase to the water base rate per customer would be (according to the written testimony (page 12) of Becky Dennis, Director of Operations for Kiawah Island Utility, Inc.) less than \$9.00 per year.

The water base rate is now in place for fire hydrants and related costs at the City of Charleston through the Charleston Water System.

District Boundaries

The below displays the District's boundaries and service area. As stated above, the Enabling Act defines the District's boundaries as encompassing all of John's, Kiawah, Seabrook, and Wadmalaw Islands. However, annexation by the City of Charleston, South Carolina, has altered the boundaries of the District and its tax base. The areas comprising the current boundaries of the District are shaded orange (John's and Wadmalaw Islands), tan (Seabrook Island), and pink (Kiawah Island). Such area encompasses the area for which the District provides fire service as well as the property on which taxes will be levied and from which taxes will be collected for the payment of the principal of and interest on the Bonds. That portion of John's Island that has been annexed into the City of Charleston and removed from the District is shaded light green, as are the portions of the City of Charleston shown on neighboring islands and adjacent landmasses.



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Charges and Modifications to Certain)	OF
Terms and Conditions for the Provision)	
of Water and Sewer Service)	WILLIAM THOMAE

My name is William Thomae. I am a retired Mechanical Engineer and I live on Kiawah Island. I have resided on Kiawah for 7 years. I presently serve as a member of the St. John's Fire Commission and also serve on the Town of Kiawah Island Public Safety Committee.

As a resident of Kiawah, I can confirm that private landscape companies hired by residents, employees of the Town of Kiawah, and employees of the Kiawah Island Community Association (known as KICA) do the maintenance on a large number of the fire hydrants on Kiawah in terms of the trimming and weeding around the hydrants. I have personally witnessed this on many occasions.

The landowners, Town, and KICA are generally quite fastidious about how the landscape of the Island is maintained. I strongly agree with Assistant Chief Gilcrease's assessment that it would not take 45 minutes to trim and weed around a hydrant as assumed by Ms. Dennis in item #1 of Exhibit BD-10.

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My name is Gavin Gilcrease. I have been with St. John's Fire District since March of 1997. I presently serve as an Assistant Fire Chief. I am one of the primary contacts for SJFD with Kiawah Island Utility.

One of my responsibilities is to oversee and monitor the testing of the 494 fire hydrants on Kiawah. We maintain an identification number on each hydrant and each hydrant is tested 2 times per year by members of the St. John's Fire District. We also do extensive testing on a rotational schedule so that each hydrant gets both Static and Residual testing every 5 years as recommended by the National Fire Protection Association. We are always happy to share our test results with KIU. As a result, I am very familiar with the hydrants on Kiawah and where they are located and how they are maintained.

I have reviewed Exhibit BD-10 of Ms. Becky Dennis which seems to assume that Kiawah Island Utility allocates .75 man hours to trimming and weeding around each and every hydrant 2 times per year. Based on my experience, I do not believe this assumption to be correct. First of all, many of the property owners have private landscaping companies that maintain their property. When these landscapers service the properties, they invariably

landscape the public right of way areas between the private property and the street where the hydrants are. These private landscapers will weed and trim around the hydrants when they do their regular work for the property owners.

The same is true for the common areas maintained by the Town or by the Kiawah Island Community Association. There are numerous hydrants on common areas owned by one of these entities and their employees will trim and weed around the hydrants as they landscape the rest of the common areas for which they are responsible.

Lastly, there are certainly instances where there are hydrants that we encounter that are neither maintained by private property owners or by the Town or by KICA. It is not unusual that SJFD employees end up trimming and weeding around the hydrants to keep them easily accessible and visible. I have certainly witnessed this and participated in this process over the years. In this regard, I can state that the process would seldom take over 10-15 minutes and often less than 5 minutes.

In regards to the item entitled "Labor to Flush areas to clear water after SJFD training," I am unsure what this refers to. There are times when I hear of complaints that there has been an instance of "brown water" after we test hydrants but this only occurs at very specific and limited locations and happens (at most) only a couple of times per year. Also, we do not really do "training" with the hydrants on Kiawah except in very rare instances because of the nature of the community there. I really cannot imagine why .75 man hours would be needed per hydrant (bi-annually) in this regard.

We do back flush the pumps and booster tanks on 3 of the trucks on Kiawah. This involves hooking up to a hydrant. This is done approximately 1 time per month per truck for a total of approximately 36 times per year. We monitor the water used and provide that

information to KIU. The water used flows to nearby drains and there is no need for follow-up by KIU. Again, nothing in this procedure would justify .75 man hours (bi-annually) per hydrant.